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Rationalisation of Pharmaceutical Spending in Hungary

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Policy Paper

Rationalization of Pharmaceutical Spending in Hungary (the implementation of pharmaco-economic evaluations in decision making of pricing and reimbursement of medicines)

Presentation of the issue

Main issues of the Hungarian pharmaceutical policy are the next:

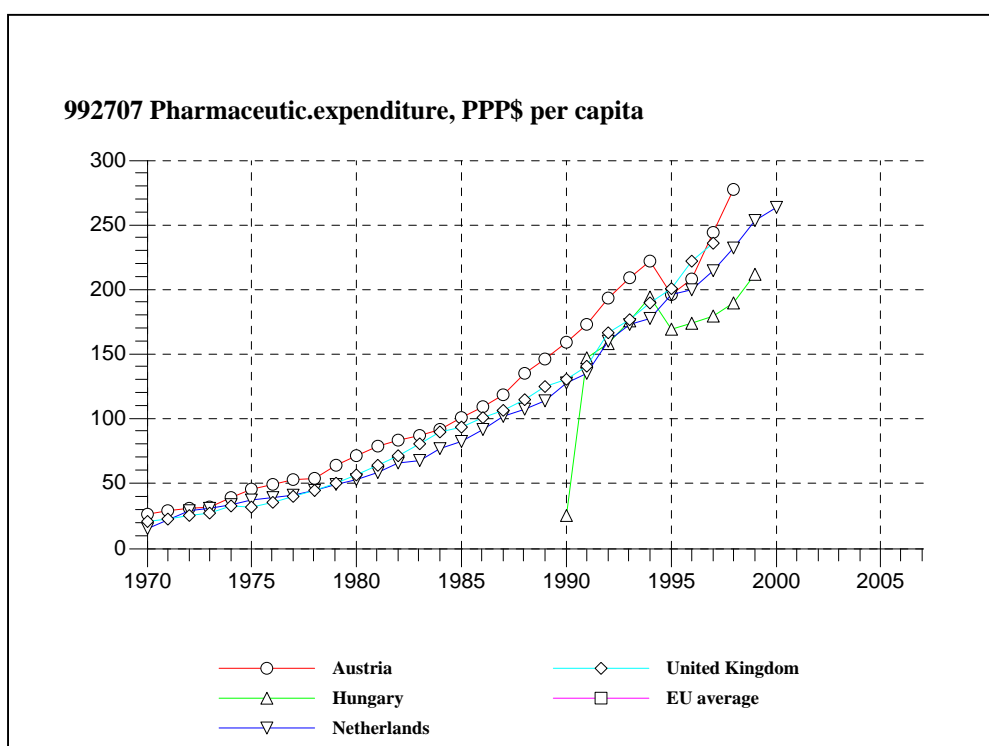
1. Hungarian health care expenditures have increased exponentially during the last fifteen years. The scale of growth was much higher than the development of the GDP.
2. The uncontrolled increase of pharmaceutical expenditures plays a prominent role in loosing of control of health care expenditures. Opposite to other health care costs the health government has not been able to develop a policy to keep the increase of expenditures of medicinal products under control.
3. The reasons of the growing costs are multifactorial and more or less have been explored.
4. The budget impact of growing cost of medicinal product on society and government has urged the introduction and implementation of newer and newer governmental policies. However, most of these policies were reactive without fitting into a non-existing long-term policy strategy.
5. Majority of policies aimed to decrease demand or supply of medicines through the manipulation of subsidization policy. Although, costs could be controlled temporarily, the long-term effect of policies was the increase of implicitness of decision making in pricing and subsidization policy.

6. Recognizing the short and long-term drawbacks of reactive and badly planned pharmaceutical policy, the government aims to develop a long-term policy that provides the basis of a sustainable pharmaceutical policy in the country and which gains the support of the interested parties/stakeholders. The theoretical framework of the new policy is based not only on the consideration of quality and efficacy of medicinal products in decisions about subsidization but the extensive use of effectiveness and efficiency results, as well.
7. Cost-containment policies and the role of economic evaluation of pharmaceutical products are important elements of the new policy.

Scope of the problem

Health care is under reform in most of the countries. Main cause of the need for changing of health system and policy has been the rapidly increasing difference between escalating health care cost and economic sustainability of health care services. The increase of pharmaceutical expenditures has outlined the growth of GDP and other health care expenditures in most of the European countries. Hungary is a negative exception. While the pace of growth of pharmaceutical expenditures was well balanced in most Western European countries it has increased in an exponential way in Hungary (1. Graph).

1. Graph The change of pharmaceutical expenditures per capita in Hungary and a selection of EU countries (in PPP\$)



By this time it became obvious the country's economic growth and the improvement of the wealth of the population does not allow for such an increase in medicines' expenditure. Although later fact was recognized by each health government little has taken place to rationalize pharmaceutical expenditures and to create a tool, a long-term pharmaceutical policy, which helps the explicit decision making on this field.

Many factors leading to the present situation has been explored. These are summarized in the following box:

Determinants of ineffectual pharmaceutical policy in Hungary
<ol style="list-style-type: none">1. Very little understanding of modern pharmaceutical policy at decision-making level.2. Lack of human resources for efficient policy making. The lack of human resource development problem that could prepare the decision making level to be able to develop short and long term pharmaceutical policy.3. Unplanned liberalization of pharmaceutical market in Hungary without the understanding and consideration of further consequences.4. Aging of the population. Increasing need for medication. Deteriorated health status of the Hungarian population.5. Tendency to overuse pharmaceutical products. Increasing demand for pharmaceutical products.6. Rapid and unplanned introduction of expensive pharmaceuticals into the Hungarian market and the lack of strategy in the subsidization of these technologies.7. The lack of motivation for the rational use of medicines at micro level of the decision making process of pharmaceutical consumption.8. Lack of tool to monitor and to evaluate the characteristics of use of pharmaceuticals. Owing to this there is a very little understanding of the present pharmaceutical market.

Options for Considerations

There are many policy options to contain and also rationalize pharmaceutical expenditures. Options and examples of places of applications are shown in the following table.

Demand side strategies:

1. Cost sharing (all countries but the Netherlands)
2. Developing market for OTC products
3. Health education program (The Netherlands, UK)
4. Capitation or salary payment for first contact doctor (e.g. Ireland, UK, Sweden, Spain, Italy etc.)
5. Paying pharmacist on a flat rate, not on a percentage basis (UK, the Netherlands)
6. Fixed budgets for doctors (UK)
7. Indicative budget for doctors (Germany, Ireland)
8. Fixed budgets for pharmaceutical expenditures (Italy)
9. Practice guidelines (France)
10. Use of cost-effectiveness studies (UK, France, Sweden)
11. Information and feed back to physicians (UK, Denmark, Sweden)
12. Prescription auditing (several countries)
13. Disease management (France, UK)
14. Encouraging generic substitution (several countries)
15. Promoting the use of generics (the Netherlands, Denmark, Germany, UK)

Supply side strategies

1. Price control (several countries)
2. Reference prices (Germany, Italy, Denmark, Sweden)
3. Profit control (UK)
4. Industry contributions when budgets are exceeded (Germany)
5. Revenue or fixed budget for the industry (Spain, France)

6. Positive and negative list (all countries)
7. Controlling the number of products (Norway, the Netherlands, Denmark)
8. Ceilings on promotion expenditure (UK)
9. Taxes on promotion expenditure (France Sweden)
10. Development of market for parallel imports (UK, Germany, the Netherlands, Denmark)

In Hungary many of these options have been part of the policy making process. Without the detailed and carefully monitored knowledge of economic effect of medicines and their effectiveness, price regulation remains a crude method for cost containment and maximization of health benefit of drugs in the population. There is a growing acceptance of the following facts:

- Pricing and reimbursement of pharmaceuticals are very important from population health and welfare point of view.
- The government has to play an important role in pharmaceuticals pricing and reimbursement through the introduction of rational pharmaceutical policy.
- Evaluation of efficiency of pharmaceuticals has to be one of the most important pillars of decision making on pharmaceutical reimbursement.

Based on these facts I argued that the careful and stepwise introduction of economic evaluation had to be the basis of the new pharmaceutical policy in Hungary that could lead the rationalization on public spending on pharmaceutical products in the country.

Recommendations and implementation

To apply health economic evaluations into the decision making process of pharmaceuticals the following theoretical and practical issues has to be dealt with:

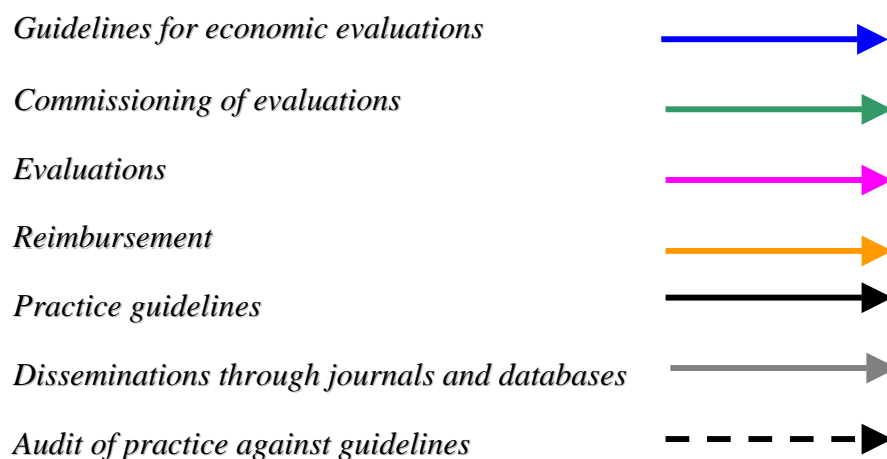
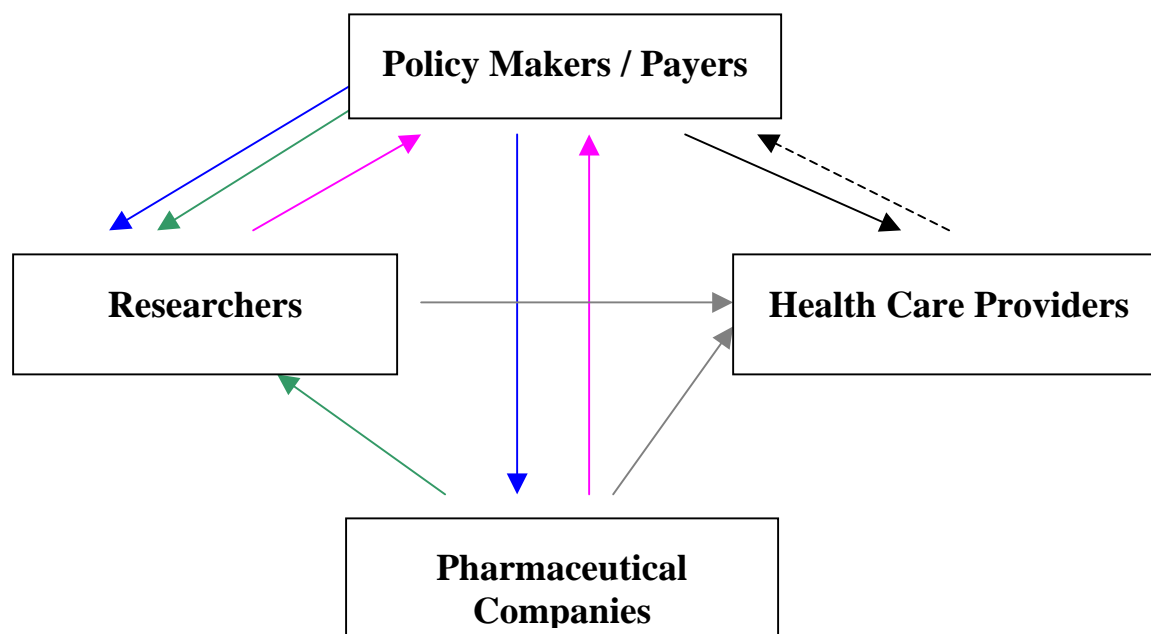
Theoretical Issues

1. There is a challenge to ensure that economic evaluations are carried out scientifically without industrial or political bias.
2. There is still ongoing scientific discussion on many aspects of the transparent methodology.
3. Purchasers are usually make planning decisions on population level, whilst prescribers' consider the interest of individual patients.
4. It is hard to ensure that economic evaluations are conducted from a societal point of view to be able to include all the costs and benefits of an intervention.
5. Practical application of results is hindered by the lack of understanding of results of economic evaluations among potential users.

Practical Issues

1. The unit costs of different interventions are missing. In most of the cases the National Health Insurance Fund's reimbursement database have to be used for the estimation of the diseases specific unit costs.
2. In many cases efficacy data have to be used for the modeling of the effectiveness of medications. There is not available database for the estimation of the effectiveness of most of the interventions out of clinical settings.
3. Lack of officially adapted QUALY measurement tool makes the comparison of different medical technologies impossible.
4. Cost-effectiveness plain is not available in Hungary. The valuation of incremental efficiency is complicated and speculative.

Implementation of economic evaluation assumes the following structural and procedural elements as it was developed by Kanavos et al.



On the basis of these findings the following short and medium-term program is recommended.

Short-term recommendations

In the short run the following recommendations are made:

1. Prioritisation of therapeutic areas has to be carried through. Those areas, which are the most important ones from the population health point of view, have to be defined. The way of priority setting has to be transparent.
2. Guideline of economic evaluations has to be updated according to the application experiences in Hungary.
3. An open databank of epidemiological data, effectiveness data and cost data has to be developed.
4. Economic evaluations have to be publicly available for open discussion.
5. The practical application of quality adjusted life years methodology has to be developed in Hungary for practical application. In the lack of this method the comparability of results of health economic evaluations become impossible.
6. Cost-effectiveness plane has to be constructed on the available data and the line of incremental cost-effectiveness, of which financing is publicly viable has to be defined from year to year.
7. Not only new but therapies of the most prioritized therapeutic areas have to be assessed from efficiency point of view.
8. Regarding the process of application a structure and process recommended by Kanavos et al. has to be developed.
9. Human resources of economic evaluation has to be developed centrally in the administrative sector.
10. The ability of interpretation of economic results have to be made widespread in the society.

Long-term recommendations

In the long run the objective is the development of good and single pharmaceutical policy along the following principles.

1. Ensuring that medicines are effective and as safe as possible.
2. Ensuring clinically effective prescribing.
3. Auditing prescribing and its outcomes.
4. Ensuring the dissemination of good practice.
5. Maximising the health gain from resources used for prescribing.
6. Encouraging equity and easy of access to pharmaceuticals across the NHS.
7. Ensuring responsiveness to patients' needs.
8. Providing a stable and suitable environment for a strong and profitable pharmaceutical industry.